

Powertech Technology Inc

DRAM market deterioration should hurt utilization in 1H09; cut to Neutral

▼ Neutral

Previous: Overweight

6239.TW, 6239 TT

Price: NT\$42.20

▼ Price Target: NT\$39.00

Previous: NT\$140.00

- Cut to Neutral, PT of NT\$39:** We downgrade Powertech to Neutral with a Jun-09 PT of NT\$39 (1.2x FY09 book). We expect DRAM utilization to drop sharply in 1H09 as DRAM bit output contracts due to production cuts. We are also concerned about high exposure to Kingston recently and lengthening AR days due to support to ailing DRAM customers. Key risk is a quick recovery in DRAM demand, which does not look likely in 2009.
- Downside protection on utilization may not last in a deep downturn:** Powertech's close relationship with leading DRAM module maker Kingston (10% shareholder) has helped it to weather through DRAM downturns at much higher trough utilization levels, compared to peers. In 3Q08, we already see signs of this support coming through, with Kingston accounting for 9% of Powertech's sales, up from 2%, two quarters ago. With DRAM environment likely to worsen significantly in 4Q08 and 1Q09, we believe that such a utilization support may wane. If utilization starts to fall, we expect Powertech's gross margins to come under serious pressure.
- Bit growth at customers to slow significantly, production cuts likely:** JPMorgan team expects DRAM bit growth at Elpida, Toshiba and Rexchip to slow significantly in 2009. Powertech's revenue growth has a direct correlation with customer bit growth, and should slow sharply in 2009. In addition, there is likelihood of further production cuts among DRAM makers in the next few quarters due to worsening cash position and poor demand.
- Exposure to weaker DRAM makers is still high:** Promos + Powerchip still account for ~10% of Powertech's revenues. Powertech runs the risk of drop in utilization if these DRAM makers cut back production and also has receivables risk due to extension of support to these DRAM makers.
- Strong growth in NAND Flash not enough to save 2009:** Powertech should see strong growth in NAND Flash assembly from Toshiba, once Toshiba takes control of its Sandisk JV. However, Flash exposure is only 15% currently small and is not enough to offset decline in DRAM.

Taiwan Semiconductors

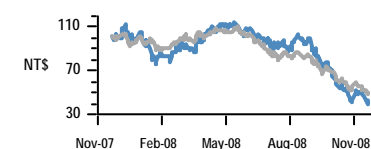
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J.P. Morgan Securities (Taiwan) Limited.

Price Performance



	YTD	1m	3m	12m
ABS	-59.8%	-21.4%	-56.5%	-58.2%
REL	-8.8%	-5.8%	-16.8%	-7.4%

Table 1: Share price: NT\$42.20 (21 Nov 08) (Reuters: 6239.TW, Bloomberg: 6239 TT)

NT\$ mn, year-end December	FY07	FY08E	FY09E	FY10E		FY07	FY08E	FY09E	FY10E	52-Week range (NT\$)	40.65 - 114.55
Sales	24,438	31,044	29,744	33,466	Y/E BPS (NT\$)	29.05	33.15	34.26	39.18	Shares Outstg (Com) (MM)	631
Operating Profit	7,087	7,182	5,110	6,022	P/B	1.5	1.3	1.2	1.1	Avg daily vol shares (MM)	5.5
EBITDA	12,674	14,510	13,128	14,587	ROE (%)	26	33	21	21	Avg daily val (US\$ MM)	12.3
Pre-Tax Profit	6,501	6,855	5,058	6,032	ROIC (%)	17	21	14	17	Free float	60%
Net profit	6,166	6,430	4,724	5,630	Norm. OP growth (%)	-5	-10	-25	5	Market Cap (NT\$ B)	27
MV of Employee Bonus	2,186	965	706	842	Cash Div. (NT\$/Share)	2.77	3.64	3.67	2.53	Market Cap (US\$ B)	0.8
Adjusted Net Profit	4,093	6,430	4,724	5,630	Quarterly EPS (NT\$)	1Q	2Q	3Q	4Q	Div Yield 2009E (%)	9%
New TW GAAP EPS (NT\$)*	6.79	10.43	7.26	8.36	EPS (FY07)	2.61	2.53	2.73	2.91	Div Yield 2010E (%)	6%
New TW GAAP P/E (x)	6.2	4.0	5.8	5.1	EPS (FY08) E	2.73	2.90	2.96	2.53	Exchange rate (NT\$/US\$)	33.2
Sales growth	44%	27%	-4%	13%	EPS (FY09) E	1.85	1.86	1.97	2.09	Index	4171
TW GAAP EPS growth	44%	54%	-30%	15%	Jun 09 PT	NT\$	39			QFII Holding %	44.0%
Net cash	(12.1)	(9.9)	(8.2)	(4.8)						Date of Price	21-Nov 08

* Retroactive adjustment for employee bonus expense is done for like-to-like comparison; Source: Bloomberg, JP Morgan estimates, Company data

See page 11 for analyst certification and important disclosures, including non-US analyst disclosures.

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Utilization likely to trend down sharply in 1H09

Although Powertech's utilization rate has held up quite well until 3Q08, we are worried that it could drop significantly in the next 2-3 quarters. Notably, support from Kingston has increased in the past quarter (up to 9% of revenues in 3Q08, compared to 2%, two quarters ago).

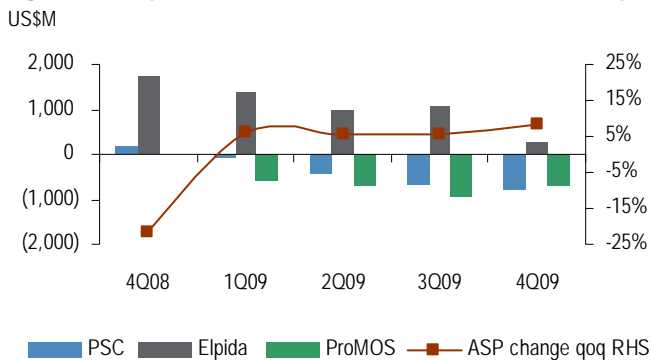
Kingston revenue proportion usually rises in a DRAM downturn, since it buys wafers from struggling DRAM makers and consigns them to Powertech, keeping utilization levels high. However, in this downturn, we feel that such a trend may not be sustainable. Given declining clone desktop market and stagnant DRAM content, we feel that even Kingston might be forced to limit support to Powertech

Production cuts at customers could accelerate if DRAM pricing remains weak into 1H09.

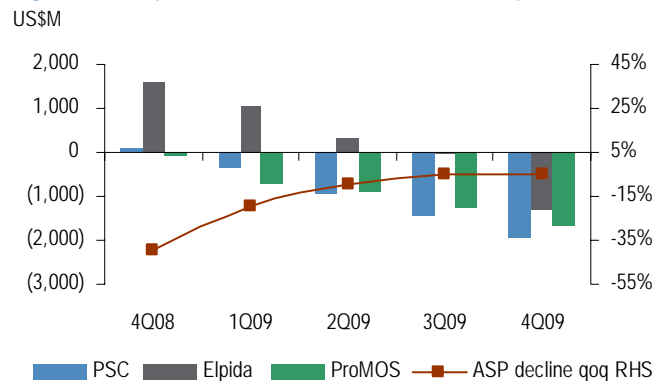
Even Elpida may slip into negative cash territory

.In addition, if DRAM price remains weak, we anticipate some production cuts at Powertech's key customers like Elpida, Rexchip and Powertech. Our analysis (in conjunction with our Japanese analyst, Yoshiharu Izumi) indicates that even Elpida may run into a negative cash position in 3Q09, if DRAM pricing declines in 1H09.

Figure 1: Cash position under our current BASE case ASP assumption Figure 2: Cash position under BEAR case ASP assumptions



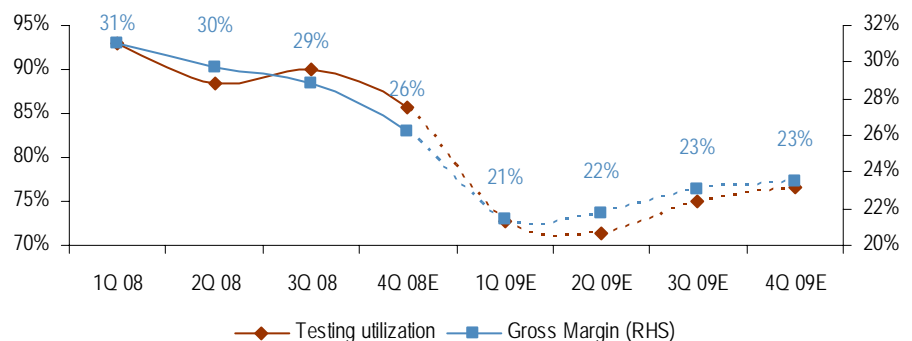
Source: Company reports and J.P. Morgan estimates.



Source: Company reports and J.P. Morgan estimates.

A combined effect of limited Kingston support and potential capacity cutback at key customers could result in a steep drop in utilization for Powertech, resulting in a sharp fall in gross margins in 1H09.

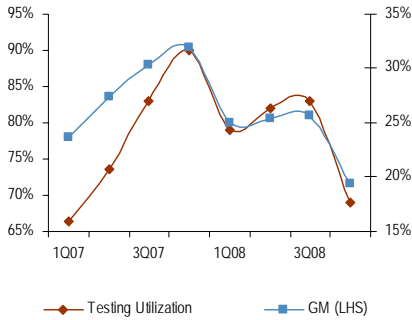
Figure 3: DRAM/NAND Flash Utilization Rate versus Gross Margin - Powertech



Source: Company reports and J.P. Morgan estimates.

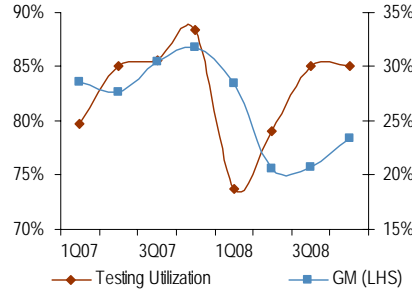
Utilization comparison with peers – ASE, SPIL and Chipmos

Figure 4: ASE



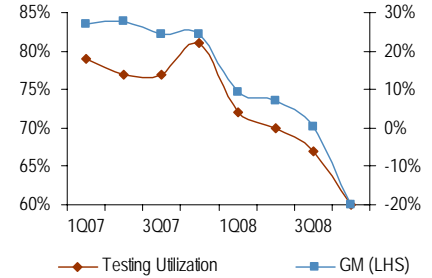
Source: Company reports and J.P. Morgan estimates.

Figure 5: SPIL



Source: Company reports and J.P. Morgan estimates.

Figure 6: Chipmos



Source: Company reports and J.P. Morgan estimates.

Support to ailing DRAM customers extends cash conversion cycle

We have also noticed that Powertech’s AR days have extended significantly in the last few quarters (from 87 days in 1Q08 to 112 days in 3Q08) due to more favorable terms for its ailing DRAM customers. Given the uncertainty over the future of DRAM companies, this is certainly a risk for Powertech.

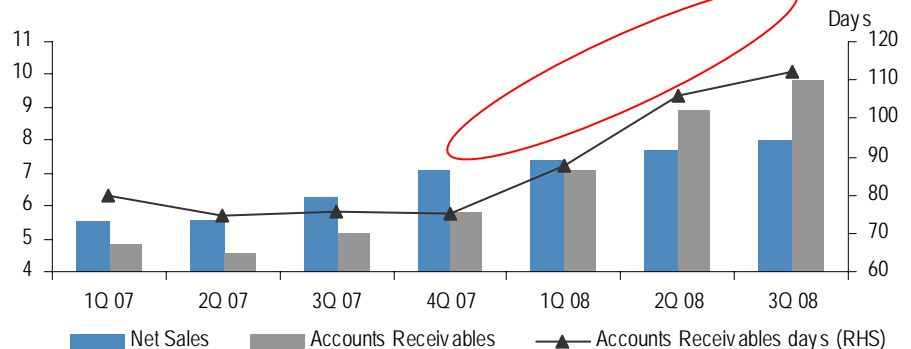
Kingston acting as the intermediary between Promos and Powertech (by buying wafers and consigning it to Powertech) has shortened part of the cash conversion cycle, but the risk is not diversified away (since Kingston is an integral part of Powertech’s successful business model).

Although CAPEX is coming down in 2008, we feel that longer cash conversion cycle will hamper Powertech’s efforts to become significantly free cash flow positive in 2008.

Figure 7: Sharp increase in Account Receivables due to favorable payment terms for customers.

NT\$ bns

Sharp increase in AR days as
 DRAM downturn deepens



Source: Company reports.

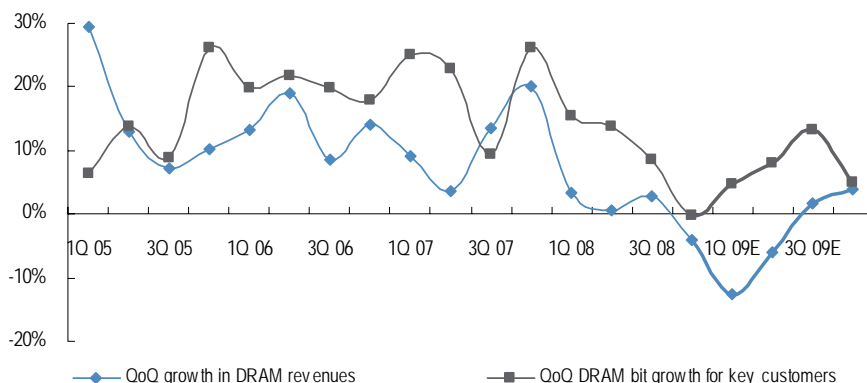
Customer bit growth will slow significantly, impacting revenue growth

Our global DRAM model expects global DRAM bit growth to slow to 33%, with new capacity addition slowing to 1% in 2009. Powertech's customer's (Elpida, Rexchip, Powerchip and Promos) also will see much slower bit growth in 2009 with almost not fresh capacity addition.

Also, we do not see a fast transition to DDR3 in 1H09, given the notebook market is likely to move towards low-end and net book based models and limited emphasis on premium end models. In addition, corporate replacement market is usually the earliest to adopt such moves, especially to avoid obsolescence risk over the lifetime of the notebook. However, corporate replacement market is likely to be extremely weak in 1H09.

Slow bit growth from customers and further ASP pressures is likely to result in very poor DRAM revenue growth for Powertech in 2009. (We expect 16% decline in DRAM revenues for Powertech in 2009, mainly due to sharp utilization correction in 1H09)

Figure 8: Correlation with revenue growth and customer bit growth



Source: J.P. Morgan estimates. Bold lines are for forecast period

NAND Flash not enough to support growth

Powertech will gain significant market share in Toshiba in 2009, once Toshiba takes over Sandisk's stake in the two Fabs under Sandisk-Toshiba JV. Post takeover, Toshiba will control 67% (as opposed to 50% earlier) of capacity in the two Fabs. Assembly and testing for the incremental capacity is very likely to be carried out in Powertech, since Toshiba has limited cash to invest in fresh backend capacity.

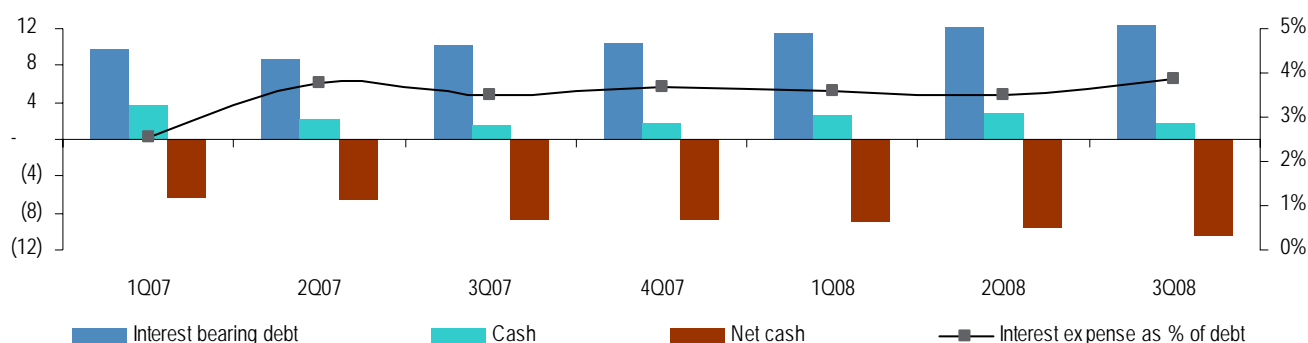
However, Powertech will become increasingly dependent on Toshiba for utilization support and hence is likely to suffer more aggressive pricing terms. Pricing is also likely to be hit due to continued steep fall in NAND Flash pricing. In addition, assembly portion of business is likely to go up significantly in 2009, negatively impacting blended margins.

Since Flash is only 15% of total revenues, even a sharp growth in Flash revenues is not enough to drive overall company growth, in a declining environment for DRAM.

Balance sheet analysis

Powertech continues to operate as a net debt company. Although Kingston support provides some security for Powertech's debt obligations, current DRAM market conditions do not give us enough comfort to ignore Powertech's high debt position.

Figure 9: Balance sheet metrics - Powertech



Source: Company reports and J.P. Morgan estimates.

Earnings revision

Due to sharp downward revision in utilization rates, slower CAPEX and weaker gross margins, we are cutting our earnings estimates for 2009 by 35%.

Table 2: Earning Revision Table

NT\$ in millions

	Revised				Prior				Change			
	4Q08E	1Q09E	2008E	2009E	4Q08E	1Q09E	2008E	2009E	4Q08E	1Q09E	2008E	2009E
Sales	7,898	7,298	31,044	29,744	8,067	8,611	31,124	37,310	-2.1%	-15.2%	-0.3%	-20.3%
Gross profit	1,947	1,474	8,446	6,294	2,169	2,216	8,713	10,230	-10.2%	-33.5%	-3.1%	-38.5%
Gross margin	24.7%	20.2%	27.2%	21.2%	26.9%	25.7%	28.0%	27.4%	-223 bps	-553 bps	-79 bps	-626 bps
OP profit	1,633	1,188	7,182	5,110	1,955	1,863	7,840	8,659	-16.5%	-36.2%	-8.4%	-41.0%
OP margin	20.7%	16.3%	23.1%	17.2%	24.2%	21.6%	25.2%	23.2%	-356 bps	-535 bps	-206 bps	-603 bps
EBT	1,597	1,169	6,855	5,058	1,745	1,643	7,344	7,789	-8.5%	-28.9%	-6.7%	-35.1%
Net income	1,505	1,092	6,430	4,724	1,614	1,519	6,746	7,205	-6.7%	-28.1%	-4.7%	-34.4%
TW GAAP EPS (NT\$)	2.39	1.73	10.43	7.26	2.56	2.41	10.94	11.14	-6.7%	-28.1%	-4.7%	-34.8%

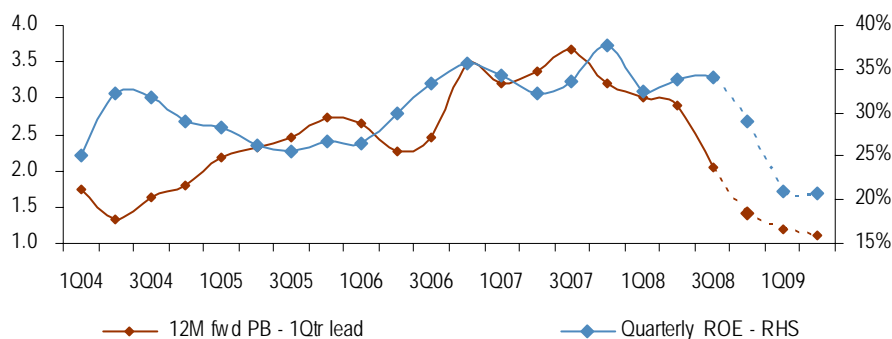
Source: Company reports and J.P. Morgan estimates.

Valuation: Cut to Neutral with PT of NT\$ 39

We downgrade Powertech to Neutral with a Jun-09 PT of NT\$ 39 or 1.2x FY09 book. We feel that Powertech's premium valuation will come under pressure as utilization starts to decline in 1H09 due to extremely weak DRAM outlook and possibility of production cutbacks in the DRAM space.

Powertech's 12M fwd P/B multiple has exhibited a sharp correlation with its quarterly ROE - which we expect to contract sharply from 4Q08 onwards, and troughing in 3Q09. In this environment, we expect Powertech's valuations to remain under pressure.

Figure 10: Quarterly ROE versus Powertech 12M fwd Price to Book



Source: Company reports and J.P. Morgan estimates.

In addition, we are also worried about lengthening AR days and a net debt position.

Key risk to our view is a swifter recovery in DRAM markets (unlikely scenario) or further support from Kingston. However, given that DRAM demand could likely shrink in 1H09, we feel Kingston support will also have limitations.

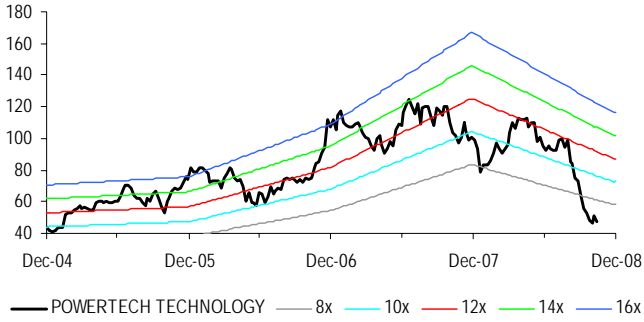
Table 1: Peer valuation table

		Price			07	08E	09E	07	08E	09E	07	08E	09E	07	08E	09E	07	08E	09E
	Ticker	(LC)	Mkt cap	Rating	PB			ROE			PE			EPS growth			Debt/Equity Ratio		
Chipmos	IMOS.US	0.22	18	NR	0.91	0.98	N/A	13%	-9%	N/A	0.3	N/M	N/A	-11%	N/M	N/A	109%	96%	N/A
Powertech	T6239	42.2	802	N	1.45	1.27	1.23	26%	33%	21%	6.2	4.0	5.8	44%	54%	-30%	112%	97%	89%
ASE	T2311	10.5	1,800	UW	0.65	0.66	0.71	13%	9%	0%	5.2	7.6	N/M	-29%	-31%	N/M	70%	90%	94%
SPIL	T2325	23.85	2,265	UW	1.07	1.23	1.32	22%	15%	6%	5.0	7.9	21.0	28%	-37%	-63%	22%	24%	23%
Walton	T8110	3.43	52	NR	0.26	0.29	N/A	15%	4%	N/A	1.7	0.2	N/A	0.13	-73%	N/A	98%	94%	N/A

Source: Company reports and J.P. Morgan estimates. Mkt cap is based on US\$

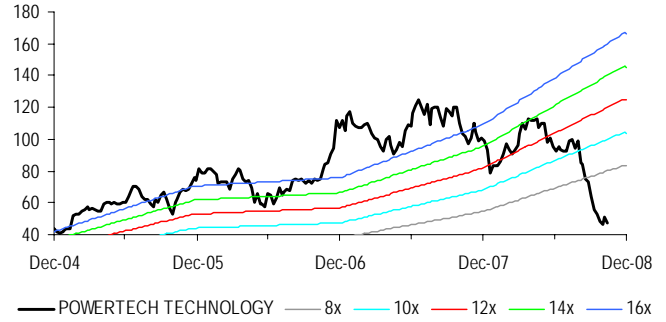
PE PB bands

Figure 11: 12M Forward P/E



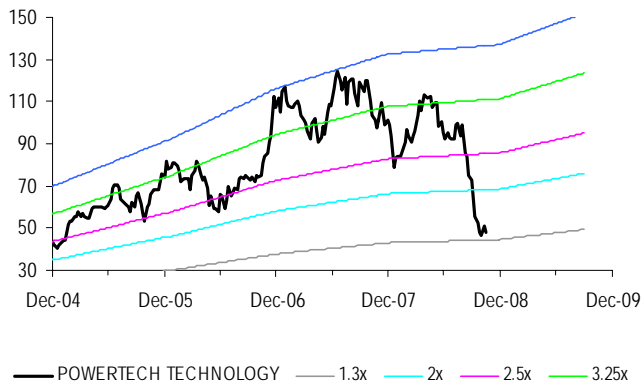
Source: Company reports, Datastream, and J.P. Morgan estimates.

Figure 12: 12M Trailing P/E



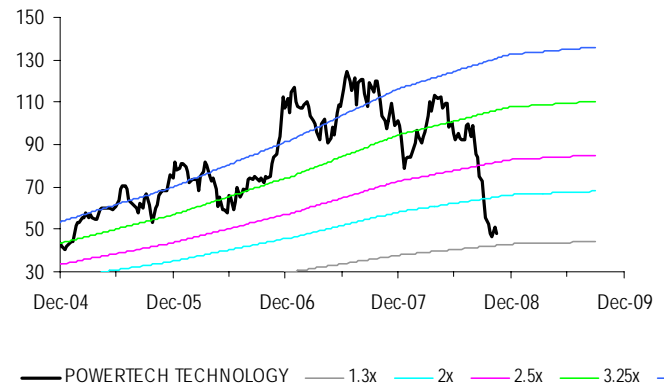
Source: Company reports, Datastream, and J.P. Morgan estimates.

Figure 13: 12M Forward P/BV



Source: Company reports and J.P. Morgan estimates.

Figure 14: 12M Trailing P/BV



Source: Company reports and J.P. Morgan estimates.

Table 4: Quarterly Earnings Model

NT\$ in millions

<i>(NT\$ in MM, year-end December)</i>	2007				2008E				2009E				2007	2008E	2009E	2010E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE	1QE	2QE	3QE	4QE				
Revenue	5,513	5,589	6,232	7,104	7,436	7,695	8,015	7,898	7,298	7,136	7,439	7,871	24,438	31,044	29,744	33,466
COGS	3,754	3,887	4,294	4,796	5,267	5,539	5,842	5,950	5,824	5,674	5,822	6,130	16,731	22,598	23,450	26,024
Depreciation	1,272	1,332	1,436	1,547	1,680	1,797	1,876	1,975	2,081	1,992	1,943	2,003	5,588	7,328	8,018	8,565
Gross profit	1,759	1,702	1,939	2,308	2,169	2,156	2,173	1,947	1,474	1,462	1,617	1,740	7,707	8,446	6,294	7,442
Operating expense	147	149	157	167	316	307	327	314	286	281	299	317	620	1,264	1,184	1,420
Operating income	1,611	1,552	1,782	2,141	1,853	1,849	1,846	1,633	1,188	1,181	1,318	1,423	7,087	7,182	5,110	6,022
Net non-op inc (exp)	(54)	(43)	(129)	(360)	(184)	(72)	(35)	(36)	(19)	(10)	(5)	(17)	(586)	(327)	(52)	10
Pre-tax profit	1,558	1,509	1,653	1,781	1,670	1,778	1,811	1,597	1,169	1,170	1,313	1,406	6,501	6,855	5,058	6,032
Tax expense (credit)	108	106	120	-	104	121	109	92	77	77	87	93	335	425	334	402
Net profit	1,450	1,403	1,532	1,781	1,566	1,657	1,702	1,505	1,092	1,093	1,226	1,312	4,093	6,430	4,724	5,630
TW GAAP EPS (NT\$)	1.61	1.56	1.68	1.93	2.56	2.71	2.78	2.39	1.73	1.73	1.84	1.95	6.79	10.43	7.26	8.36
Margins (%)																
Gross margin	31.9	30.4	31.1	32.5	29.2	28.0	27.1	24.7	20.2	20.5	21.7	22.1	31.5	27.2	21.2	22.2
Operating margin	29.2	27.8	28.6	30.1	24.9	24.0	23.0	20.7	16.3	16.5	17.7	18.1	29.0	23.1	17.2	18.0
EBITDA margin	52.3	51.6	51.6	51.9	46.1	45.8	45.1	44.5	43.7	43.4	42.7	42.3	51.9	46.7	44.1	43.6
SG&A as % sales	2.7	2.7	2.5	2.3	4.2	4.0	4.1	4.0	3.9	3.9	4.0	4.0	2.5	4.1	4.0	4.2
Tax Rate	6.9	7.1	7.3	0.0	6.2	6.8	6.0	5.7	6.6	6.6	6.6	6.6	5.2	6.2	6.6	6.7
Net margin	26.3	25.1	24.6	25.1	21.1	21.5	21.2	19.1	15.0	15.3	16.5	16.7	16.7	20.7	15.9	16.8
Key Drivers																
Assembly																
Revenue	3,115	3,130	3,615	3,978	4,186	4,463	4,649	4,734	4,577	4,400	4,552	4,881	13,837	18,032	18,411	20,078
% of total revenue	57%	56%	58%	56%	56%	58%	58%	60%	63%	62%	61%	62%	57%	58%	62%	60%
Utilization (%)	97%	82%	89%	89%	92%	89%	88%	90%	85%	80%	80%	85%	89%	90%	83%	89%
Testing																
revenue	2,398	2,459	2,493	3,126	3,250	3,232	3,366	3,164	2,721	2,736	2,887	2,989	10,476	13,011	11,333	13,388
% of total revenue	44%	44%	40%	44%	44%	42%	42%	40%	37%	38%	39%	38%	43%	42%	38%	40%
Utilization (%)	82%	80%	86%	95%	93%	88%	90%	86%	73%	71%	75%	77%	86%	89%	74%	82%

Source: Company reports and J.P. Morgan estimates.

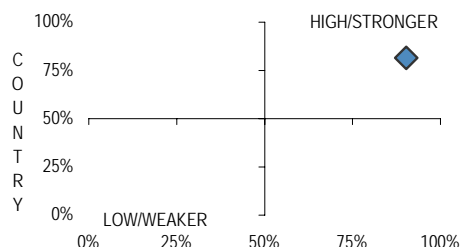
All Data As Of 20-Nov-08

Q-Snapshot: Powertech Technology Inc.

Quant Return Drivers (a Score >50% indicates company ranks 'above average')

Score 0% (worst) to 100% (best)	vs Country	vs Industry	Raw Value
Value			
P/E Vs Market (12mth fwd EPS)	95%	99%	0.3x
P/E Vs Sector (12mth fwd EPS)	71%	84%	0.5x
EPS Growth (forecast)	74%	69%	5.4%
Value Score	89%	93%	
Price Momentum			
12 Month Price Momentum	53%	57%	-55.7%
1 Month Price Reversion	51%	60%	-19.5%
Momentum Score	52%	59%	
Quality			
Return On Equity (forecast)	91%	94%	33.6%
Earnings Risk (Variation in Consensus)	60%	67%	0.11
Quality Score	90%	93%	
Earnings & Sentiment			
Earnings Momentum 3mth (risk adjusted)	77%	75%	-60.1
1 Mth Change in Avg Recom.	70%	69%	0.00
Net Revisions FY2 EPS	46%	46%	-100%
Earnings & Sentiment Score	65%	62%	
COMPOSITE Q-SCORE* (0% To 100%)	82%	90%	

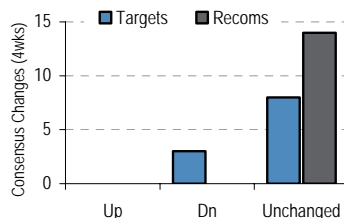
J.P. Morgan Composite Q-Score



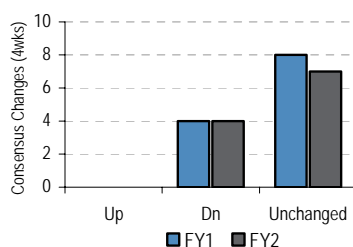
INDUSTRY Quant Return Drivers Summary (vs Country)



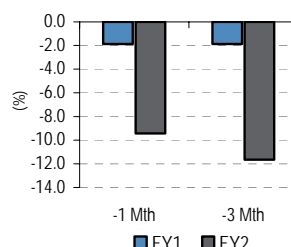
Targets & Recommendations**



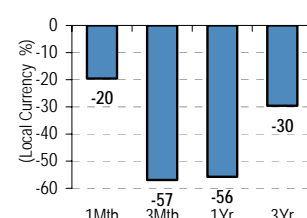
EPS Revisions**



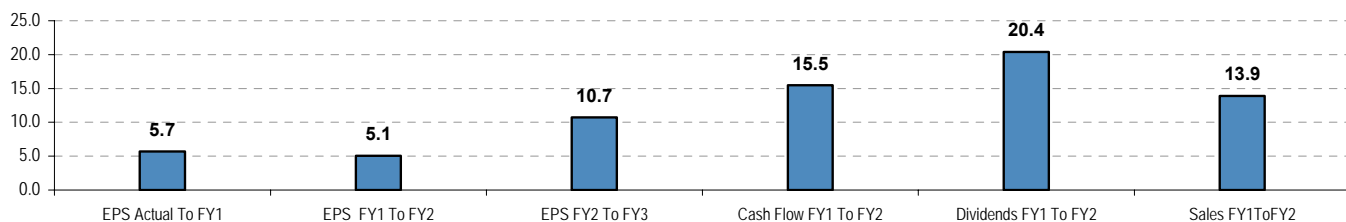
EPS Momentum (%)



Historical Total Return (%)



Consensus Growth Outlook (%)



Closest in Country by Size (Consensus. ADV = average daily value traded in US\$m over the last 3 mths)

Code	Name	Industry	USD MCAP	ADV	PE FY1	Q-Score*
3008-TW	LARGAN Precision Co. Ltd.	Electronics/Appliance Stores	934	23.15	8.6	82%
2615-TW	Wan Hai Lines Ltd.	Marine Shipping	909	1.78	9.4	72%
2618-TW	EVA Airways Corp.	Airlines	881	6.55	-2.9	
3231-TW	Wistron Corp.	Computer Processing Hardware	851	16.64	3.5	82%
2609-TW	Yang Ming Marine Transport Corp.	Marine Shipping	819	5.59	20.9	11%
6239-TW	Powertech Technology Inc.	Semiconductors	816	13.84	4.0	82%
9921-TW	Giant Manufacturing Co. Ltd.	Recreational Products	754	3.06	9.5	100%
2887-TW	Taishin Financial Holding Co. Ltd.	Financial Conglomerates	723	6.73	13.2	29%
2006-TW	Tung Ho Steel Enterprise Corp.	Metal Fabrication	703	11.66	5.0	20%
2475-TW	Chunghwa Picture Tubes Ltd.	Electronic Components	643	6.01	-2.5	2%
2395-TW	Advantech Co. Ltd.	Computer Processing Hardware	631	1.14	7.1	41%

Source: Factset, Thomson and J.P. Morgan Quantitative Research. For an explanation of the Q-Snapshot, please visit <http://jpmorgan.hk.acrobat.com/qsnapshot/>
Q-Snapshots are a product of J.P. Morgan's Global Quantitative Analysis team and provide quantitative metrics summarized in an overall company 'Q-Score.'
Q-Snapshots are based on consensus data and should not be considered as having a direct relationship with the J.P. Morgan analysts' recommendation.
* The Composite Q-Score is calculated by weighting and combining the 10 Quant return drivers shown. The higher the Q-Score the higher the one month expected return. On a 14 Year back-test the stocks with the highest Q-Scores have been shown (on average) to significantly outperform those stocks with the lowest Q-Scores in this universe. ** The number of up, down and unchanged target prices, recommendations or EPS forecasts that make up consensus.

Powertech Summary of Financial Statements

Income statement					Ratio Analysis				
NT\$ in millions, year-end Dec	FY07A	FY08E	FY09E	FY10E	% , year-end Dec	FY07A	FY08E	FY09E	FY10E
Revenues	24,438	31,044	29,744	33,466	Gross Margin	31.5	27.2	21.2	22.2
Cost of Goods Sold	16,731	22,598	23,450	26,024	EBITDA margin	51.9	46.7	44.1	43.6
Gross Profit	7,707	8,446	6,294	7,442	Operating Margin	29.0	23.1	17.2	18.0
R&D Expenses	302	631	595	703	Net Margin	25.2	20.7	15.9	16.8
SG&A Expenses	318	194	268	335	R&D/sales	1.2	2.0	2.0	2.1
Operating Profit (EBIT)	7,087	7,182	5,110	6,022	SG&A/Sales	1.3	0.6	0.9	1.0
EBITDA	12,674	14,510	13,128	14,587	Sales growth	44.0	27.0	-4.2	12.5
Interest Income	16	29	92	80	Operating Profit Growth	36.9	1.3	-28.8	17.8
Interest Expense	331	443	426	352	Net profit growth	47.7	57.1	-26.5	19.2
Investment Income (Exp)	-	2	-	-	EPS (Reported) growth	24.3	1.9	-30.4	15.1
Non-Operating Income (Exp)	(271)	85	283	283	EPS (TW GAAP) growth	43.7	53.5	-30.4	15.1
Earnings before tax	6,501	6,855	5,058	6,032	Interest coverage (x)	21.4	16.2	12.0	17.1
Tax	335	425	334	402	Net debt to total capital	38.3	28.0	21.7	12.8
Net Income (Reported)	6,166	6,430	4,724	5,630	Net debt to equity	68.2	47.5	35.6	18.3
Net Income (new TW GAAP)	4,093	6,430	4,724	5,630	Asset Turnover	64.9	75.3	68.4	76.5
EPS (Reported, NT\$)	10.23	10.43	7.26	8.36	Working Capital Turns (X)	15.9	9.1	5.2	5.1
EPS (New TW GAAP, NT\$)	6.79	10.43	7.26	8.36	ROE	26.2	33.2	21.5	21.2
BPS (NT\$)	29.05	33.15	34.26	39.18	ROIC	17.1	21.1	14.5	16.8
DPS (NT\$)	2.77	3.64	3.67	2.53	ROIC (net of cash)	17.8	22.0	15.2	17.7
Shares Outstanding (m)	602	617	651	674					

Balance sheet					Cash flow statement				
NT\$ in millions, year-end Dec	FY07A	FY08E	FY09E	FY10E	NT\$ in millions, year-end Dec	FY07A	FY08E	FY09E	FY10E
Cash and cash equivalents	1,778	4,588	6,499	6,414	Net Income	6,166	6,430	4,724	5,630
Accounts receivable	5,845	9,521	10,351	11,170	Depr. & Amortisation	5,588	7,328	8,018	8,565
Inventories	1,018	841	838	904	Change in working capital	20	-3,754	-933	-646
Others	350	290	289	312	Other	0	0	0	0
Current assets	8,992	15,239	17,976	18,800	Cash flow from operations	11,774	10,005	11,809	13,549
LT investments	1,618	1,867	1,867	1,867	Capex	-11,973	-4,659	-7,500	-8,000
Net fixed assets	25,631	22,962	22,444	21,879	Disposal/ (purchase)	-1,222	12	0	0
Others	1,439	1,178	1,178	1,178	Cash flow investment	-13,195	-4,647	-7,500	-8,000
Total assets	37,680	41,246	43,465	43,724	Free cash flow	-199	5,345	4,309	5,549
ST loans	1,574	1,691	1,714	1,718	Equity raised/ (repaid)	1,430	740	564	141
Payables	1,293	1,327	1,234	1,178	Debt raised/ (repaid)	3,840	617	193	-3,458
Others	4,396	4,047	4,034	4,353	Other financing charges	-1,033	-1,233	0	0
Total current liabilities	7,262	7,066	6,981	7,249	Dividends paid	-2,007	-2,675	-3,154	-2,317
Long term debt	12,327	12,826	12,996	9,534	Cash flow financing	2,231	-2,551	-2,398	-5,634
Other liabilities	318	446	446	446	Net Change in Cash	810	2,807	1,911	-85
Total liabilities	19,907	20,338	20,423	17,228	Beginning cash	972	1,778	4,588	6,499
Shareholders' equity	17,774	20,908	23,042	26,496	Ending cash	1,781	4,585	6,499	6,414

Source: Company reports and J.P. Morgan estimates.

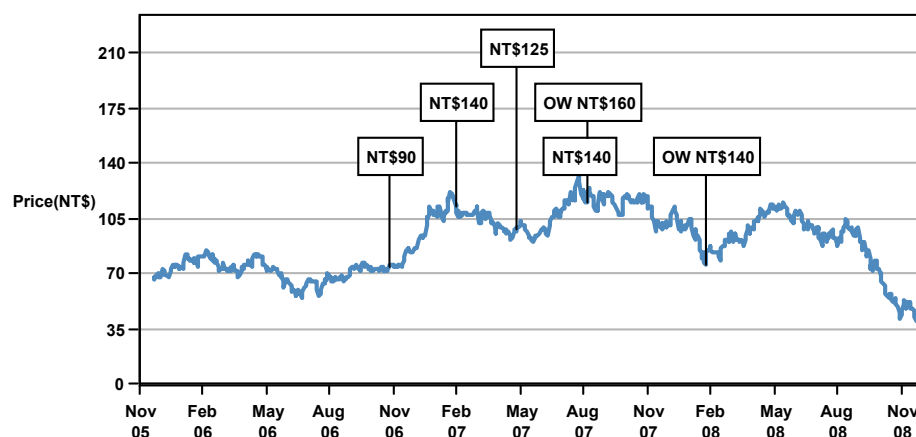
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Powertech Technology Inc (6239.TW) Price Chart



Date	Rating	Share Price (NT\$)	Price Target (NT\$)
05-Aug-07	OW	114.55	160.00
24-Jan-08	OW	75.64	140.00

Source: Reuters and J.P. Morgan; price data adjusted for stock splits and dividends. Initiated coverage Aug 05, 2007. This chart shows J.P. Morgan's continuing coverage of this stock; the current analyst may or may not have covered it over the entire period. J.P. Morgan ratings: OW = Overweight, N = Neutral, UW = Underweight.

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